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SUBJECT: BTC PRE-INAUGURATION MEETINGS IN ISTANBUL

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REF: (A) ISTANBUL 1296 (B) ANKARA 4241

¶1. (SBU) Summary: Energy Deputy Secretary Sell and senior U.S. officials met with high-level delegations from Azerbaijan, Georgia, Turkey and Kazakhstan in Istanbul on July 12 to discuss issues related to the Baku-Tiblisi-Ceyhan (BTC) pipeline on the eve of its inauguration

Presidents at the Palace

¶2. (SBU) The U.S. Presidential delegation was led by Deputy Energy Secretary Clay Sell and included EB Assistant Secretary Daniel

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Sullivan and SCA Principal Deputy Assistant Secretary Steven Mann. Ambassadors Ross Wilson (Ankara) and Anne Derse (Baku), EUR Deputy Assistant Secretary Matthew Bryza, and DOE officials also participated. The meetings were held at Istanbul's Cirgan Palace Hotel, which was awash with delegation staffers, media, and assorted hangers-on attending to three presidents (Aliyev, Saakashvili, and Turkish President Ahmet Necdet Sezer, who played host to the senior guests at a dinner at the conclusion of the day's meetings). Details of the U.S. delegation's meetings with Azerbaijan President Aliyev and Turkish Energy Minister Guler were reported refs (A) and (B).

Meeting with Georgia President Saakashvili

¶3. (SBU) In his brief meeting with the U.S. delegation, President Saakashvili said although he regards the BTC project as an immensely positive development, he remains convinced that Russian President Vladimir Putin is intent on "regime change" in Georgia. He described a scheme in which the Russians would cut off gas supplies. This would force the Azeris to use more domestic gas and reduce gas exports including to Georgia, which would lead to crisis there. Saakashvili claimed that without an alternative source of supply, such as Azerbaijan, the Russians could significantly increase the price of gas, and Georgia would be forced to pay artificially high prices. The President said he agrees with those who say Georgia and Azerbaijan must stand together in the face of Russian pressure, but wondered how this would be successful.

¶4. (SBU) Deputy Secretary Sell said the United States is prepared to help Georgia to stand fast with the Azeris. DAS Bryza noted that Russian shenanigans, while perhaps profitable in the short-term, would further undermine Moscow's credibility as a reliable energy supplier. In response to Saakashvili's concern about how to manage a short-term crisis produced by Russian supply manipulation, the U.S. delegation assured the President that Washington would not allow Putin to get away with such a scheme.

Meeting with Kazakhstan Energy Minister

¶5. (SBU) Deputy Secretary Sell told Kazakh Energy Minister Izmukhambetov that the United States viewed the BTC pipeline as an exciting opportunity for Kazakhstan to diversify transit routes and markets for its petroleum. He said the United States is committed to assisting in this regard and to exploring avenues for the export of Kazakh natural gas. The Deputy Secretary said that he had met with the Minister's predecessor, Vladimir Shkolnik, about a year ago, and at that time noted Washington's interest in cooperation on nuclear non-proliferation. Deputy Secretary Sell said Minister Shkolnik had been interested in results, not just talk, and expressed hope the same action-oriented spirit would characterize the relationship with Minister Izmukhambetov. He also highlighted the importance of collaboration on legal and economic reforms needed to attract increased U.S. and European corporate participation in development of Kazakhstan's wealth of energy resources.

¶6. (SBU) Minister Izmukhambetov said he viewed the BTC as a catalyst for the region. Kazakhstan soon will sign an agreement enabling it to connect to the BTC. Commenting on Kazakhstan's energy-related prospects, the Minister reviewed his country's considerable oil and gas reserves as well his 35-year career in the energy sector. Izmukhambetov spoke of the key role energy plays in shaping his country's political development and noted his interest in a

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trans-Caspian pipeline, a subject he said he had raised previously with Energy Secretary Bodman. In the course of enumerating Kazakhstan's energy agreements with Russia, China, and the BTC states, the Minister commented on Iran's truculence and his country's desire to refine its oil in Europe. Izmukhambetov reviewed plans to expand domestic uranium and coal mining and said his government is eager for U.S. and European corporate participation in further developing Kazakhstan's energy resources. He concluded by expressing confidence that the upcoming visit to Washington of President Nazarbayev would help sustain forward momentum on bilateral energy cooperation.

¶7. (U) DOE cleared this message.
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